

Message Text

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TO SECSTATE WASHDC 5282

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS SECTION 1 OF 2 BRASILIA 3658

E.O. 11652: N/A

TAGS: BEXP BR

SUBJECT: COUNTRY COMMERCIAL ACTION GROUP (CCAG) MEETING APRIL 8

REF: (A) STATE 83561; (B) BRASILIA 0752; (C) STATE 054879;

(D) SAO PAULO 0704; (E) SAO PAULO 0750

1. SUMMARY

CCAG REVIEWED THIRD QUARTER OF FY-76 CCP PROGRAM USING REPORT OF WASHINGTON ACTION GROUP (WAG) MEETING (REF. A) AS BACKGROUND. CCAG WAS PLEASED TO LEARN THAT WAG IS EXPLORING WITH USIA POSSIBILITY OF OBTAINING APPROPRIATE TRADE ARTICLES IN SUPPORT OF CAMPAIGNS AND LOOKS

FORWARD TO RECEIVING SUCH ARTICLES, PAO AT CCAG MEETING INDICATED USIS

IS PREPARED TO DISSEMINATE THESE ARTICLES, HAVING ALREADY COMPILED AN EXTENSIVE LISTING OF TECHNICAL JOURNALS IN BRAZIL. CCAG NOTED THE SUCCESSFUL FOLLOW-UP TO THE ALABAMA-MISSISSIPPI IOGA TRADE MISSION OF LAST FALL THROUGH A RETURN VISIT BY A BRAZILIAN INVESTMENT

BUYING MISSION IN LATE APRIL WHICH MAY HAVE SIGNIFICANT BILATERAL TRADE IMPLICATIONS (SEE PGH.14. BELOW). CCAG ALSO REVIEWED ITS SUBMISSION FOR INPUT TO FY-77 CCP (REF.B) AND MADE SEVERAL ADDITIONAL SUGGESTIONS, AMONG THEM A COLLABORATIVE EFFORT WITH AMEMBASSY ASSUNCION TO MAXIMIZE US COMMERCIAL PARTICIPATION IN THE MATERIALS PROCUREMENT OF THE ITAIPU BINATIONAL COMPANY AND A RECOMMENDATION FOR MORE HORIZONTALLY-STRUCTURED TRADE MISSIONS, ENCOMPASSING BOTH

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PURCHASING AND SELLING INTERESTS. CCAG DISCUSSED INPUTS FOR

FY-78 CCP AND MADE SOME PRELIMINARY RECOMMENDATIONS ON A TENTATIVE BASIS (REPORTED SEPTEL). DEVELOPMENTS CONCERNING THE PROPOSED SAO PAULO TRADE CENTER WERE REVIEWED. END SUMMARY.

2. METALWORKING AND METAL-FINISHING EQUIPMENT CAMPAIGN - CONGEN SAO PAULO HAS BEEN MONITORING THE STATUS OF NTM "MECANICA" EXHIBITORS IN THEIR EFFORT TO PENETRATE THE BRAZILIAN MARKET (ACTION 10). PRELIMINARY DISTRIBUTION OF FLYERS ON THE CHICAGO 1976 INTERNATIONAL MACHINE TOOL SHOW HAS BEEN MADE; AN ADDITIONAL SHIPMENT OF FLYERS HAS BEEN REQUESTED AND IS ON ITS WAY (ACTION 11).

3. AGRICULTURAL EQUIPMENT AND ACCESSORIES CAMPAIGN - AS PER REF A. THIS CAMPAIGN HAS BEEN DROPPED. RECENTLY ARRIVED COMMERCIAL OFFICER IN PORTO ALEGRE INFORMED CCAG OF PROGRAM TO DEVELOP SELECTED TRADE OPPORTUNITIES IN THIS SECTOR AS WELL AS TO IDENTIFY AGROBUSINESS OPPORTUNITIES. FORTHCOMING INVESTMENT SEMINAR (LATE APRIL) IN RIO GRANDE DO SUL SHOULD OFFER GOOD VEHICLE FOR IDENTIFYING AGROBUSINESS PROJECTS. CCAG WAS INFORMED THAT STATE OF INDIANA INTENDS TO PARTICIPATE IN THE ESTEIO AGRICULTURAL FAIR IN PORTO ALEGRE AUGUST 22-30 EXHIBITING BOTH LIVESTOCK AND MACHINERY. AMCONSUL PORTO ALEGRE HAS BEEN WORKING CLOSELY WITH THE INDIANA OFFICIALS.

4. COMMUNICATIONS EQUIPMENT CAMPAIGN - NO TRADE OPPORTUNITIES WERE REPORTED (ACTION 14), HOWEVER, CAMPAIGN "QUOTE" WAS EXCEEDED BY FOUR DURING LAST QUARTER. CERP TELECOMMUNICATIONS REPORT INCLUDES SECTION ON TELEPHONE EXPANSION PROGRAM (ACTION 15); CONTACTS WITH EMBRATEL AND TELEBRAS HAVE BEEN MAINTAINED (ACTION 16) CCAG NOTED WITH DISAPPOINTMENT THE CONTINUING IMPASSE ON FINANCING FOR EMBRATEL PROJECTS (PARA 4 REF A) AND RECOMMENDS THAT WAG DECIDE WHETHER THIS PORTION OF CCP MERITS RETENTION AS A "CAMPAIGN".

5. AVIONICS -AVIATION ENGINEERING AND EQUIPMENT CAMPAIGN - CCAG POINTS OUT THAT REQUIREMENT FOR A COMPREHENSIVE REPORT OF AVIATION MANUFACTURING SECTOR CALLED FOR UNDER ACTION 5 OF THIS CAMPAIGN WAS COVERED BY RIO'S A-36 OF APRIL 23, 1975 SUBMITTED THE QUARTER BEFORE ACTION 5 WAS DUE. REPORT ON STATUS OF INTERNATIONAL AIRPORT PROJECTS (ACTION 12) IS IN PREPARATION. ONLY ONE TRADE OPPORTUNITY (AS OPPOSED TO TWO) WAS SUBMITTED (ACTION UNCLASSIFIED

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13). PREPARATIONS FOR TECHNICAL SEMINAR (APRIL 29-MAY 5) ARE IN FULL SWING (ACTION 14). CCAG FEELS THAT REQUIREMENT FOR REPORT ON STATUS OF AVIATION MANUFACTURERS DEVELOPMENT AND INTRODUCTION OF NEW MODELS (ACTION 15) HAS BEEN COVERED BY ARTICLE ENTITLED "BRAZIL: A SPECIAL REPORT" IN MARCH 29, 1976 ISSUE OF BUSINESS AVIATION; MISSION PROVIDED BACKGROUND TO AUTHOR OF ARTICLE; ARTICLE WILL BE FORWARDED TO WASHINGTON WITH MISSION COMMENTS. COMMERCIAL OFFICERS VISITED EMBRAER, CTA AND NEW GALEAO INTERNATIONAL AIRPORT

UNDER CONSTRUCTION (ACTION 16).

6. COMPUTER AND RELATED EQUIPMENT CAMPAIGN - ON DECEMBER 2, 1975, GOB ANNOUNCED THAT ALL IMPORTS OF ELECTRONIC DATA PROCESSING EQUIPMENT AND PERIPHERALS HAD TO BE APPROVED BY CAPRE (COMMISSION FOR COORDINATION OF EDP ACTIVITIES) BEFORE APPLICATION WAS MADE FOR AN IMPORT LICENSE. ON MARCH 31, 1976 THE GOB EXPANDED THE LIST OF EDP ITEMS INCLUDED IN THE PREVIOUS MEASURE (PRINCIPALLY COMPONENTS). FOR OVER TWO MONTHS (MID-DECEMBER TO FEBRUARY) CAPRE DID NOT APPROVE ANY PURCHASE OF COMPUTERS OR RELATED EQUIPMENT. APPROVALS ARE NOW BEIN GRANTED BUT ON AN EXTREMELY LIMITED SCALE. IN THE CASE OF SOFTWARE, NOT ONLY IS CAPRE APPROVAL REQUIRED, BUT INPI (NATIONAL INSTITUTE FOR INDUSTRIAL PROPERTY) AND CENTRAL BANK APPROVAL AS WELL. CAMPAIGN MANAGERS WILL MONITOR SITUATION. IN VIEW OF PARTICULARLY RESTRICTIVE IMPORT MEASURES IN THIS SECTOR; DELETION OF CAMPAIGN MAY BE IN ORDER REPRESENTATIONAL EVENT (ACTION 7) NOT HELD IN VIEW OF VIRTUAL EMBARGO ON IMPORTS OF COMPUTERS AS OF EARLY DECEMBER. NO TRADE OPPORTUNITIES WERE REPORTED (ACTION 9).

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7. POLLUTION CONTROL EQUIPMENT CAMPAIGN-RESULTS OF TRADE MISSION REPORTED SEPARATELY (REF. D&E). RESULTS CAN BE SUMMARIZED AS FOLLOWS: RIO-56 APPOINTMENTS, \$1.3 MILLION EXPECTED 12 MONTH SALES; SAO PAULO -104 APPOINTMENTS, \$2.7 MILLION EXPECTED 12 MONTH SALES. IN VIEW OF EXTENSIVE PREPARATION FOR THIS TRADE MISSION (INCLUDING MARKET ANALYSIS FOR THE PRODUCTS OF INDIVIDUAL FIRMS CONSIDERING PARTICIPATION IN THE TRADE MISSION), CCAG WOULD APPRECIATE RECEIVING, IN DUE TIME, AN EVALUATION OF THE CONCRETE COMMERCIAL RESULTS OF THE MISSION. TWO

TRADE OPPORTUNITIES (AS
OPPOSED TO ONE CALLED FOR IN CCP) WERE REPORTED FOR THIS
CAMPAIGN DURING THIS QUARTER (ACTION 10).

8. POWER PRODUCTION. TRANSMISSION AND DISTRIBUTION PROJECTS-
LUNCHEONS FOR OFFICIALS OF ITAIPU PROJECT (ACTION 10) WERE
NOT HELD BECAUSE TIMING FOR SUCH LUNCHEONS WOULD BE MORE OPPORTUNE
AT A LATER DATE, REASON BEING SLIPPAGE IN BIDDING SCHEDULE.
COMMERCIAL OFFICERS HAVE KEEPING IN TOUCH WITH OFFICIALS AND
REPORTING DEVELOPMENTS. ACTION 11 NOT COMPLETED
BECAUSE OF CITED SLIPPAGE IN BIDDING SCHEDULE.

9. STEEL EXTENSION PROGRAM-DECISIONS ON MAJOR PACKAGES OF STEEL
EXPANSION PROGRAM HAVE BEEN POSTPONED, HENCE SURVEY OF RESULTS
HAS NOT BEEN PREPARED (ACTION 5); SINCE CURRENT STEEL EXPANSION
PROGRAM IS UNDERGOING DELAYS IN DECISION-MAKING, IT IS STILL A
LITTLE EARLY TO DISCUSS NEXT EXPANSION PROGRAM (ACTION 6).
CONSIDERABLE EFFORT WAS EXPENDED DURING QUARTER ON REPORTING
DEVELOPMENTS ON BIDDING FOR VARIOUS PACKAGES.
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10. PETROLEUM AND PETROCHEMICAL EXPANSION-ACTIONS 9, 10 AND
11 COMPLETED. ACTIONS 12 AND 13 NO LONGER NECESSARY AS PER REF. A.
PETROCHEMICAL CERP REPORT SUBMITTED DURING QUARTER COVERED
DEVELOPMENT AT SECOND PETROCHEMICAL CENTER AT BAHIA (ACTION 14).
CCAG SUGGESTS THAT REQUIREMENTS FOR SEPARATE REPORT ON BAHIA
CENTER BE POSTPONED FOR TWO QUARTERS, THAT IS, WITH DUE DATE OF
SEPTEMBER 30.

11. MINING EQUIPMENT CAMPAIGN-COMPREHENSIVE REPORT ON CVRD
ACTIVITIES WAS INCLUDED IN THE LAST ANNUAL MINERALS REPORT AND
WILL BE INCLUDED IN FORTHCOMING ONE (ACTION 12). ACTIONS 13
AND 14 NO LONGER NECESSARY AS PER REF. A.

12. VISIT USA COMMITTEE CAMPAIGN-THANKS TO VISIT OF USTS-DATO
GROUP IN EARLY MARCH, THIS CAMPAIGN RECEIVED NEW DIRECTION. AT A
MEETING OF THE VISIT USA COMMITTEE WITH REPRESENTATIVES OF USTS
AND DATO THE FOLLOWING ACTION PROGRAM WAS AGREED UPON: (1) IDENTI-
FICATION OF WHOLESALE OPERATORS CAPABLE OF PUTTING
TOGETHER PACKAGE TOURS IN THE U.S.;(2) ONCE IDENTIFIED THE MORE
PROMINENT OF THESE WHOLESALERS WOULD BE ASKED TO JOIN THE VISIT
USA COMMITTEE, PROBABLY AS A SPECIALIZED SUB-GROUP OF THE
COMMITTEE;(3) PLANS WERE DEVELOPED TO START AN INCENTIVE TRAVEL
PROGRAM IN BRAZIL. COMMITTEE DECIDED THAT SELECTION OF PARTICI-
PANTS IN FAMILIARIZATION PROGRAMS WOULD AWAIT DEVELOPMENT OF
SPECIFIC TRAVEL PACKAGE PROPOSALS.

13. EXPORT PROMOTION SERVICES-WHILE NO TARGET NUMBER FOR TRADE
OPPORTUNITIES HAS BEEN SET IN FY-76 CCP, CCAG PLEASED TO REPORT

THAT AS OF END OF THRID QUARTER, 110 TRADE OPPORTUNITIES HAVE BEEN SENT IN FROM BRAZIL AS OPPOSED TO A TOTAL OF 118 FOR ALL OF FY-75 CCP. IN ADDITION, 42 FOREIGN GOVERNMENT TENDERS- MANY OF THEM FINANCED BY THE IADB AND IBRD-HAVE BEEN REPORTED THUS FAR THIS FY. THE SCREENING OF ADS REQUESTS FOR IMPORTABILITY INTO BRAZIL HAS IMPROVED MARKEDLY, AND CCAG APPRECIATES USDOC'S EFFORTS IN THIS AREA.

14. ACTIONS NOT REQUIRED BY CCP-THE CCAG WISHES TO HIGHLIGHT TO THE WAG CONGEN RIO'S FOLLOW-UP WORK TO THE ALABAMA-MISSISSIPPI DISTRICT COUNCIL IOGA TRADE MISSION WHICH VISITED BRAZIL SEPTEMBER, 1975. AS RESULT OF CONTACTS MADE DURING THE MISSION'S VISIT, A UNCLASSIFIED

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BRAZILIAN GROUP CONSISTING FO CVRD (COMAPNHIA VALE DO RIO DOCE- GOB-OWNED MINERAL COMPANY, WORLD'S LARGEST EXPORTER OF IRON ORE), CSN (COMPANHIA SIDERURGICA NACIONAL-GOB-OWNED STEEL COMPANY, LARGEST IN BRAZIL) AND GRUPO PEIXOTO DE CASTRO (ONE OF LARGEST PRIVATELY-OWNED BRAZILIAN INDUSTRIAL GROUPS) PLANS TO VISIT THE BIRMINHGAM AREA IN LATE APRIL. A MAJOR INCREASE IN TRADE BETWEEN ALABAMA AND BRAZIL, A SUBSTANCIAL PORTION OF IT ON A BARTER BASIS, COULD WELL RESULT FROM THIS VISIT. THE OUTLINE OF THE DEAL RUNS AS FOLLOWS: BRAZIL WOULD EXPORT IRON ORE AND PIG IRON AND IMPORT METALLURGICAL COAL AS WELL AS SCRAP METAL AND SCRAP PROCESSING MACHINERY. IN ADDITION, CVRD IS REPORTEDLY PLANNING AN EQUITY INVESTMENT IN COAL MINES. IF CONCLUDED, THE DEAL WOULD BE SUBSTANTIAL AND LONG-TERM RUNNING INTO THE HUMDRESES OF MILLION OF DOLLARS. A PARTICULARLY FORTUITIOUS FEATURE OF THE DEAL WOULD BE ITS BARTER ASPECTS IN VIEW OF BRAZIL'S CURRENT BALANCE-OF-PAYMENTS DIFFICULTIES. INVOLVEMENT BY THE BIRMINGHAM DISTRICT OFFICE IN THE VISIT HAS BEEN RECOMMENDED.

15. CCAG REVIWED ITS INPUT FOR CCP FY-77 SUBMITTED REF.B) AND WOULD LIKE TO SUGGEST THE FOLLOWING ADDITIONS: A) A COLLABORATIVE EFFORT WITH AMEMBASSY ASSUNCION TO MAXIMIZE U.S. EXPORT PARTICIPATION IN THE PROCUREMENT OF MATERIALS FOR THE CONSTRUCTION OF ITAIPU. UNDER THE TERMS OF THE BINATIONAL AGREEMENT, SOURCING OF PROCUREMENT, WHERE POSSIBLE, WILL BE SHARED EQUALLY BETWEEN PARAGUAY AND BRAZIL ON A 50-50 BASIS. IN VIEW OF BRAZIL'S GREATER INDUSTRIAL DEVELOPMENTS VIS-A-VIS PARAGUAY, IT IS LIKELY THAT BRAZIL WILL EXCEED ITS 50 PERCENT. THROUGH ITS CONTACT WITH UNICON-UNIAO DAS CONSTRUTORAS LTDA.-THE CONSORTIUM RESPONSIBLE FOR THE CONSTRUCTION OF THE ITAIPU DAM-OUR COMMERCIAL EFFORT IN BRAZIL COULD CONCETRATE ON THOSE SECTORS IN WHICH BRAZILIAN INDUSTRY DOES NOT ENJOY AN EXISTING ADVANTAGE IN ORDER TO PROMOTE SUCH OPPORTUNITIES FOR EXPORTS FROM THE U.S. TO PARAGUAY. AS AN EXAMPLE, IT IS ESTIMATED THAT THE CONSTRUCTION OF ITAIPU WILL CONSUME UP TO 4 PERCENT OF BRAZIL' CURRENT CEMENT PRODUCTION. IF PLANS FOR MAJRO DAMS IN THE NORTH (E.G. TUCURUI, ETC.) ARE IMPLEMENTED, CONSIDERABLE ADDITIONAL CEMENT PRODUCTION CAPACITY

WILL HAVE TO BE LAID DOWN SOON SOMEWHERE.

B) A REVIEW OF TRADE OPPORTUNITES SUBMITTED OVER THE PAST YEAR
INDICATES ONE CONSISTENTLY STRONG SECTOR OF INTEREST- TECHNICAL BOOKS

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CCAG RECOMMENDS THAT A NON-CAMPAIGN INITIATIVE IN CLOSE COLLABORATION
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WITH USIS BE DEVELOPED TO PROMOTE THE SALE OF U.S. TECHNICAL BOOKS.
WHILE A BOOK EXHIBIT MAY BE ONE MEANS OF PROMOTION, OTHER MEASURES
SHOULD BE EXPLORED WITH THE U.S. PUBLISHING INDUSTRY IN ORDER TO
PROMOTE NOT JUST BOOKS BUT TECHNICAL JOURNALS AS WELL. AND ADDED
BONUS IN THE CURRENT AUSTERE IMPORT CLIMATE: BOOKS ENTER BRAZIL
DUTY-FREE.

C) CCAG RECOMMENDS THAT MORE
HORIZONTALLY-STRUCTURES MISSIONS, WITH BOTH A BUYING AND SELLING
INTEREST, VISIT BRAZIL. IN A SEPARATE MESSAGE WE
WILL FORWARD SOME THOUGHTS ON HOW SUCH MISSIONS COULD BE ORGANIZED.
CCAG REALIZES THAT USDOC MAY BE UNDER A CONSTRAINT IN TERMS
INCLUDING BUYING INTERESTS IN ITS TRADE MISSIONS. IN ORDER TO GIVE
GREATER FLEXIBILITY TO THESE MISSIONS, INCREASED EMPHASIS TO IOGA-
TYPE MISSIONS MAY BE IN ORDER:
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